



HM Government

SME Skills Horizon: 2025

A 2025 skills and recruitment
barometer of SMEs across England.

It all starts with skills.



Overview

Welcome to the 2025 Skills Horizon Barometer – a window into the recruitment and skills landscape for SMEs in the year ahead. Now in its third edition, this barometer brings together our strongest bank of year-on-year data to date, outlining trends and fresh insights, gleaned from 1,500 SME decision makers across England. This year, the report also includes commentary from Specsavers – as a larger business which also runs a Joint Venture Partnership approach in individual stores operating as SMEs, it has a novel perspective on the landscape from multiple angles.

This year the main tone set by SME leaders is one of optimism – SMEs reflect on positive revenue growth during 2024 and anticipate more ahead, whilst also citing fewer concerns for the year ahead than have been raised in previous years.

Opportunities to support business growth and offerings were identified due to advancements in areas such as AI, as was scope for progress in the recruitment and upskilling landscape with the new Government. Looking to stay one step ahead, SMEs across the board are open to exploring new ways of recruiting and upskilling their staff and have remained steadfast in their commitment to diversify their workforces and meet green targets.

Data shows there will be challenges ahead in 2025, but there are clear positive trends emerging when looking at year-on-year results. And although there are continued challenges associated with running a smaller business, the 2025 Skills Horizon Barometer highlights how the adaptable qualities that SMEs possess will help them to thrive in the year ahead.



We're delighted to be involved with this report – Specsavers as a business is shaped by our Joint Venture Partnership with around 1,000 stores in England, which means all are working as individual SMEs, and it's been interesting to read some relatable insights emerging from the wider SME community.

Feelings are mixed as we look to the year ahead; there is continued uncertainty with rising costs, and change to government but also opportunity – particularly with our recruitment and ongoing development strategy.”

Dena Wyatt, Head of Apprenticeships at Specsavers.

Section one:

Shifting landscapes – a positive perspective for 2025

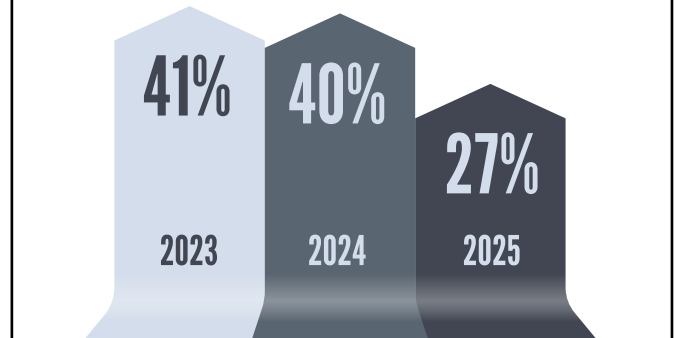
The outlook appears relatively bright this year as insights suggest a trend in rising confidence, and sentiment across many business areas is the most optimistic it has been in three years.

This may in part be due to SMEs reporting positive economic results in 2024. Nine in 10 SMEs (**90%**)* said their business grew over the past year, with an average of **27%** growth seen across the board. This just surpassed predictions; last year SMEs noted they expected to see **26%** growth on average in 2024.

This year has also seen a drop in some concerns relating to recruitment and retainment. A significant downward trajectory of worry in this area can be seen year-on-year when it comes to retaining staff - one in four (**27%**) cited this as a top concern, compared to two fifths in previous years (**40%** in 2024 and **41%** in 2023). This could be due to many factors, such as employees deciding to stay put within current roles amidst broader challenges in the recruitment market, as well as a decline in the SME population**, leaving fewer external opportunities.

Similarly, when it comes to being able to recruit employees with the right skills; fewer consider this to be a big concern - **26%** this year, compared to **29%** in 2024 and **40%** in 2023.

Percentage of SMEs who are concerned about retaining staff, by year:



SMEs are more likely to have noted other businesses benefitting from technical education schemes – with almost four in five (**78%**) acknowledging this, an increase from **74%** in 2024. Of those, more than two fifths (**44%**) have noticed this in particular over the last year.

Despite this, appetite for offering technical education options within the workplace is down and, bucking the overall trend for optimism, concerns about access to training to meet needs are up (2025: **20%**, 2024: **17%**). What's more, businesses are mostly seeking to fill skills gaps at entry level (**32%**) – signalling that perhaps there is an opportunity being missed.

“We aren’t seeing an issue with retainment – it’s getting people through the door in the first place that can be trickier as we’re competing with enticing packages from larger businesses.”

Tom Beales, Director at Armultra, a fabrication and engineering company in Great Yarmouth.

“Our apprenticeship scheme has inspired a culture of learning across the business, and a proactive approach towards training and development.”

Anna Green, Managing Director at Broadsword, an events agency based in London.

Section two:

Overview of SMEs' top concerns for 2025

Despite the positive outlook improvements, clear challenges and concerns were identified for the year ahead. The overall top concern cited by SMEs was increased running costs, such as energy prices and rent, although, on the whole, this was cited by fewer employers than in previous years (2025: **42%**, 2024: **51%**, 2023: **52%**). Also high on the agenda were staffing challenges, with 1 in 4 (**26%**) anticipating issues in the year ahead.

“We are slightly concerned about budgets in 2025, leading to our recruitment being impacted. This means where we do hire, we want to invest in passionate staff who are likely to stick around and we can see the return on.”

Louisa Doyle, CEO of Mesma, a software company based in Newcastle.

Although the top concern for SMEs in 2025 is increased running costs, year on year data shows a positive trend, with a 9% reduction in the number of employers citing this.

When SME leaders were asked about recruitment and retention related concerns specifically, the following worries were identified:

- Retaining staff (**27%**)
- Not being able to compete with the salaries or benefits other businesses offer in a competitive labour market (**26%**)
- Not being able to recruit new employees with the right skills (**26%**)

For the year ahead, SMEs are forecasting **28%** revenue growth on average. Looking at how this differs by region, London SMEs expect the highest growth – anticipating a **31%** revenue increase on average, and the West Midlands follows, with **30%** predicted revenue growth. SMEs in Yorkshire & the Humber are the least confident – on average **22%** growth is expected.

Looking back on 2024, despite London's confidence, the North East saw the highest average growth, with **30%** revenue increases reported on average.

Sectors expecting strong growth according to SME leaders include:

- Green (**28%**)
- Media & entertainment (**27%**)
- Health (**26%**)
- Creative (**25%**)

It's positive to see the anticipated growth in these industries – and with new T Levels having been launched in September 2024 to help young people access Craft & Design and Media, Broadcast & Production careers, there will be a pipeline of talent in the making to help meet future skills demand.

“We have seen significant growth over the past three years and in 2025 we're hoping to grow a further **70%**.”

Jamie Crinigan, Operations Director of Skills4Pharmacy, a training provider in Lancashire.

Wider commitments for a positive impact in society remains on the agenda, and it's promising to see that building a diverse workforce is considered to be a top priority for nearly one in five (**18%**), with meeting green targets (**17%**) not far behind, as SMEs enter 2025.

“We currently have a good gender split in our workforce, but we've previously struggled to hire locally when it comes to staff from different ethnic backgrounds. We want to continue to push on in this area as we move into 2025.”

Louisa Doyle, CEO of Mesma, Newcastle.

Section three:

New ways to meet business needs

Plugging skills gaps and finding ways to meet business needs, as SMEs approach the anticipated growth in the coming year, plugging skills gaps and finding ways to meet business needs, will be paramount. Upskilling remains a practical option for this, whilst also helping with retention as it contributes to employee development and fulfilment. Seven in 10 (70%) SMEs are planning to invest in upskilling their existing workforce – this has consistently remained an important priority, with a similar number planning to do so in 2024 (71%).

Seven in 10 plan to invest in upskilling their existing workforce in 2025.

“We prefer investing from within over outside hires – sourcing talent at the start of a person’s career means we can mould them and teach our ways of working to meet our standards.”

James Bonsall, Director of TG Sowerby Developments, a building contractor based in Scunthorpe.

When looking to technical education for new methods of recruitment and upskilling, employers are most interested in employee training and employment schemes (like HTQs, Skills Bootcamps and Apprenticeships) (54%), followed by entry level employment schemes (such as Essential Skills or numeracy courses) (53%) and then work placements (like T Level industry placements) (52%).

“Our apprenticeship programme is a vital part of our recruitment strategy and we plan to recruit around 500 apprentices in 2025. Apprentices support our other employees in a range of ways and across different roles. We also recruited 3 T-Level students in 2024 and we are exploring opportunities for T-Levels in our People Operations department for 2025.”

Dena Wyatt, Head of Apprenticeships at Specsavers.

Whilst figures show a healthy appetite for technical education opportunities across the board and via varying schemes, data suggests engagement in these has slowed down amongst SME employers, compared to last year. For example, employers are 6% less likely to offer training and employment schemes for employees, and 3% less likely to offer school leaver schemes this year, than they were last.

That said, SMEs feel topical events and broader influences have increased their interest in exploring technical education routes. Nearly one in three (30%) said the new opportunities brought by the change of government, make them more likely to explore new ways of recruiting and training existing staff, and a similar number (33%) feel the rise of AI will require them to seek and develop new skills to harness business opportunities.

“The need for better cybersecurity has encouraged us to investigate different options it’s a business priority and external advice is expensive as a long-term solution, so we’ve brought on a brilliant apprentice who is developing skills in the area.”

Anna Green, Managing Director at Broadsword in London.



Section four:

Embracing technical education

Employers looking to expand their workforce are clearly doing this through a business-savvy and agile mindset. They are hoping for additional benefits as a result of new hires, which lie outside of (but in addition to) the recruit in question's direct professional contribution. The benefits employers are most seeking are focussed around the impact on the wider team – both in terms of work outputs and job satisfaction:

- Improve wider staff productivity (**38%**)
- Help to upskill existing workforce (e.g. by sharing skills and knowledge) (**38%**)
- Increase employee morale (**37%**)
- Encourage new ways of working (**37%**)

“The roles we give our apprentices aren't ones nobody else wants to do, they are given meaningful tasks and have responsibilities that will help them learn and grow. Apprentices choose what they're interested in, helping to build enthusiasm for their work. If people think they just do admin and make tea, then that's very far from the truth!”

Philip Lodge, Retail Director at Specsavers Bath & Midsomer Norton.

SME employers consider the most valuable benefits of technical education skills (when it comes to developing skills within their workforce) to be:

- They give businesses the ability to upskill existing staff member (**44%**)
- They provide opportunities to address skills gaps in businesses (**41%**)
- They give businesses the opportunity to shape young talent (**41%**)
- Technical education is an economical way of upskilling and recruiting (**40%**)

“Young people tend to have their fingers on the pulse and are often great thinkers. You get out what you put in, so by creating a healthy and constructive working environment, geared towards learning, businesses will reap the benefits.”

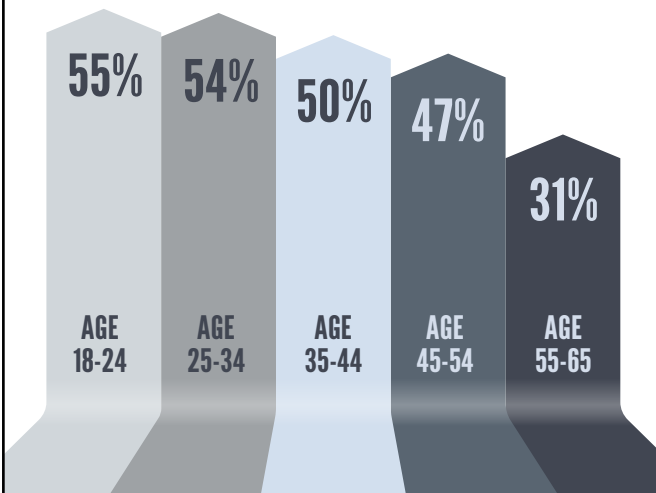
Stephen Wilde, MD of Southbourne Rubber, a manufacturer in Hampshire.



“Technical education routes help a diverse pool of people get into fabrication and engineering. Learners are given a way in, and as employers, we get to reach them at a pivotal stage of their career, guiding their learning to ensure it benefits us, clients they work for and future business growth too.”

Tom Beales, Director at Armultra, Great Yarmouth.

When it comes to offering school leaver employment schemes, like apprenticeships, the older demographic of employers are less likely to consider doing so:



The data also highlights some of the perceived barriers to recruiting via technical education routes. This included a lack of understanding about business benefits, as well as fears about associated costs – though technical education options are generally considered to be a more economic route to upskilling and hiring staff.

However, the age of the employer may also be a barrier in some cases, as there is a noticeable trend between age and openness to embrace new ways of working. Across different technical education options, younger and middle-aged business leaders are more likely to consider uptake than those who are older.

“Our apprentices fill core roles in our businesses like optical assistants and Spectacle Technicians. Whilst technically they’re ‘entry level’ we don’t call them that - they are A level equivalent and crucial to our workforce.”

Dena Wyatt, Head of Apprenticeships at Specsavers.



Section five:

What's on the job description for SMEs in 2025?



Skills gaps are very much an issue for SME employers, with nine in 10 (**90%**) identifying this within their business. Entry-level is the most common position to see this at, followed by gaps within specialist subject areas. The top gaps are:

- At an entry-level (**32%**)
- In specific specialist areas (**29%**)
- At a managerial level (**26%**)
- At a senior level (**21%**)

Not long ago, those fresh out of university might have been the most sought-after candidates for new staff solutions – however there seems to be a shift in perspective, and employers are now looking slightly broader to those early on in their career, but with experience. More than two in five SME leaders look for candidates with some prior experience (**44%**). Meanwhile those on more traditional or academic courses seem to be favoured less, as under a quarter of employers are looking for higher education graduates (**24%**). This suggests options like a T Level or an apprenticeship might hold more weight for those entering an industry.

“We are a small business of 10 people, looking to double by November 2025. We operate an apprenticeships-first policy with our recruitment and look for school leavers or career changers.”

Louisa Doyle, CEO of Mesma, Newcastle.

Businesses are most likely to be seeing skills gaps at entry level.

When it comes to characteristics which would best appeal on a CV, the following would pique the interests of employers in 2025:

- A good work ethic (**36%**)
- A team player (**28%**)
- A quick learner (**28%**)
- Confidence (**24%**)
- Adaptability (**23%**)

These characteristics have largely stayed the same as last year, except for the addition of ‘adaptability’, which has moved ‘ability to work under pressure’ out of the top five. This could suggest employers are feeling less pressured, and a different approach to working might be on the cards for 2025.

What is clear is that employers tend to care about the person, over just their credentials. A ‘good personality fit’ for the business (**22%**) comes significantly higher than ‘relevant industry experience’ (**16%**) and a particular level of qualification (**12%**) as employers seek opportunities to shape the right person to meet business needs.

“We look for talent with some experience and a perspective that aligns with our company values. We work with contacts at local colleges, who keep an eye out for suitable candidates for us.”

James Bonsall, Director of TG Sowerby Developments, Scunthorpe.

When hiring, someone who is a good personality fit trumps relevant industry experience for SMEs.

Section six:

What will AI mean for business in 2025?

One of the hottest rolling topics of the year was Artificial Intelligence, so the research dug into SME employers' perspectives on it. Is it an opportunity or a hindrance? Are businesses embedding it into their work? And how does it impact hiring decisions?

The overall sentiment is positive – however opinions are split. More than a quarter of SMEs (**26%**) see it as an exciting opportunity, outweighing the not-insignificant number of nearly one in five (**18%**) who feel worried about the rise of AI.

A quarter of SMEs see AI as an exciting opportunity, whilst a fifth are worried about its rise.

A fifth (**20%**) say their business is already using AI occasionally in day-to-day operations and **19%** went as far as to say they use it regularly. Many see value in the opportunities that come with new technological advances, and note they could impact hiring choices; nearly a quarter (**23%**) say there are specific skills relating to AI that they want to upskill or recruit employees with. In fact, over an eighth of SMEs (**13%**) are already using AI technology themselves to support their recruitment process, and just over one in five (**21%**) would consider doing so.

“I see AI as an opportunity and think that everyone now needs to know how to use it. I suspect we will increasingly see more regulation on how, so having a team with skills and knowledge in place will be key.”

Anna Green, Managing Director at Broadsword in London.



“We see efficiencies working with AI. We started working with it for reporting and we have learner work groups who report back on what’s innovative and what isn’t. AI is brilliant, but needs to be blended with human input to be most effective.”

Dena Wyatt, Head of Apprenticeships at Specsavers.

“We’re hoping AI can streamline back office operations, freeing up the team to focus on direct learner support and customer service. The goal is to enhance service delivery rather than reduce staff numbers.”

Jamie Crinigan, Operations Director of Skills4Pharmacy in Lancashire.

One in eight SMEs are using AI for recruitment and nearly one in five would consider doing so.

In contrast, just over one in six (**17%**) actively don’t want their business to use AI.



Section seven:

An overview of SMEs in England**



- North East: 165,974
- North West: 494,245
- Yorkshire and the Humber: 387,568
- East Midlands: 356,925
- West Midlands: 431,176
- East of England: 527,487
- London: 980,939
- South East: 906,118
- South West: 532,802

References:

*Research carried out with 3Gem Research & Insights between 28th November-12th December 2024, commissioned by DfE and Kindred, with 1,500 SME senior decision makers in England.

** There are 4,785,889 SMEs (businesses with 0 to 249 employees) in England: https://assets.publishing.service.gov.uk/media/66f554dcc71e42688b65ecd3/BPE_2024_detailed_tables.xlsx

